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Military Market

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Resale in the 21st Century

What awaits us in the next millennium

Annual Product Directory

Military Distributors List

Military Representatives List

Mid-Year Report from Resale Leaders

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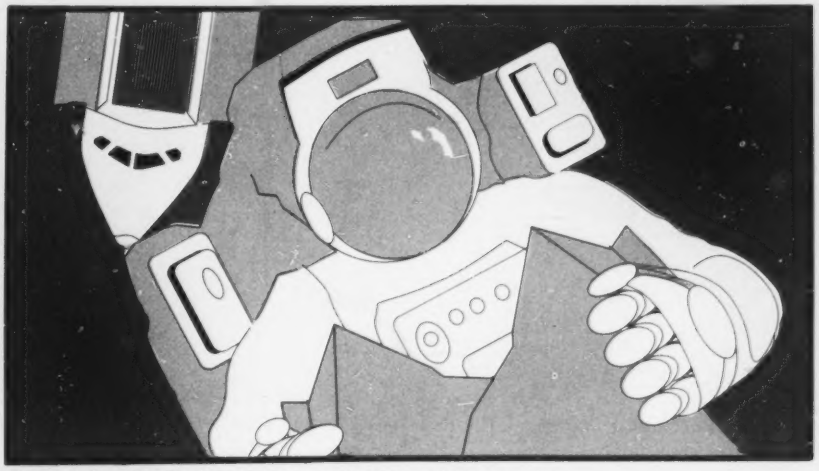

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serving the military resale system

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A $20-million mistake may hurt TSA

We're still working on finding the money from elsewhere within the Army."

Because of a budgetary mishap, the Troop Support Agency may have lost $20 million out of a House appropriations request for fiscal 1989. If the $20 million isn't regained, TSA could be forced to close stores and reduce hours.

At MILITARY MARKET press time, however, the Army's Deputy Chief of Staff for Logistics office was attempting "to reprogram within the Department of Army," to find the money, according to a Pentagon official.

"We feel confident," the source said, "but we're still working on finding the money from elsewhere within the Army."

The money is needed, he explained, "to maintain the same level of service in 1989 as was provided in 1987."

The loss could "put Army back several years, in terms of funding and operations," said a House Armed Services Committee staff member.

When the budget was formulated within the Department of the Army, DCSLOG asked for fiscal 1989 funding at the fiscal 1987 level. But "we lost the battle and [a] $20 million cut [made by Army budget officials] was allowed to remain," the Pentagon official said.

Armed Services' Readiness subcommittee tried to replace the $20 million for TSA, but the Appropriations committee funded what was originally requested by Army.

"When the president's budget came over here [to Capitol Hill], the money was not there. We tried to add it back in, but Appropriations didn't want to increase the defense budget $20 million," the HASC source explained.

Air Force and Navy commissary budgets were not cut and held at the same level of appropriations.

DLA saw no savings in a CDC

The Defense Logistics Agency rejected the idea of a central distribution center in Europe because there was no "overriding economic benefit" that would result from setting up a stocked CDC in Europe, according to the summary of a DLA study obtained by MILITARY MARKET.

The purpose of the study was to "find ways to shorten the existing pipeline to commissary stores in Europe and identify more efficient and effective warehousing and distribution systems."

The Arthur Young Co. conducted the study between September 1985 and June 1986 as an outgrowth of a congressional staff study that found major deficiencies in overseas commissary supply. The study said there would be "significant savings if the DLA established a commissary distribution center system in Europe," instead of using the current system operated by the Defense Personnel Support Agency out of Mechanicsburg, Pa.

The study recommended that:

- The DLA, through DPSC, should be the merchandiser agency and should assume a dominant role in the brand name selection process.
- The range of line items carried in commissaries in Europe should be reduced and standardized.
- Store back-up inventories should be reduced to just 14 days from an average of 115 days.
- Backroom warehouse personnel at stores should be eliminated.
- Stores would order one or more times a week, instead of monthly.

The Army's Lt. Gen. Vincent Russo, commander of the DLA, refused the proposals for two reasons: The DLA did not want to assume the merchandising and item selection role, and the projected annual savings were considered unrealistic, specifically the savings based on cutting backroom personnel.

In August 1987, using the Arthur Young study as a base, the DLA took another look at establishing a CDC in Europe. This time, however, the parameters of the analysis were different: The CDC would supply only Army commissaries, and the DLA would not assume the merchandising role.

Alternatives for an Army-only CDC were:

- Building a new facility;
- Renovating the DLA facility at Germersheim, West Germany;
- Establishing a contractor-owned and contractor-operated facility; and
- Establishing a contractor-owned and government-operated facility.

The current system and the contractor-owned and operated warehouse were the least costly, but Russo still decided against an Army-only CDC concept.

The solution to the European supply problem, according to the study summary, is to make improvements to the current system. This will shorten order-ship time to Europe, and "make the decision to maintain the current system the most advantageous alternative," the summary said.

The most significant change will be Army's reduction of requisition submission time from 30 to 7 days, and "eliminating the current 15-day delay in processing the second DICOMSS [Direct Commissary Support System] monthly requisition cycle."

The Army has begun this change in Europe and expects "full implementation by the end of 1989," said the summary.

PRODUCTIVITY: Navy commissaries vs. commercial supermarkets

	Navy	Commercial
Average sales (weekly)	$421,195	$292,638
Sales per employee (weekly)	$4,481	$3,906
Average store hours	49	114
Store sales (hourly)	$8,595	$2,567
Average square footage (selling)	22,905	31,657
Sales per square foot (weekly)	$18.39	$9.24
Number of line items	7,000	14,565

*SOURCE: NAVRESSO and Progressive Grocer Annual Report

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COMMISSARIES

		MARCH			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$162,364	$155,932	4.12	$463,841	$461,821	0.44
	OVERSEAS	33,522	32,437	3.34	100,361	95,032	5.61
AIR FORCE	TOTAL	**195,887**	**188,369**	**3.99**	**564,202**	**556,853**	**1.32**
	CONUS	119,000	109,725	8.45	336,350	324,240	3.73
	OVERSEAS	45,780	38,325	19.45	129,045	111,825	15.40
ARMY	TOTAL	**164,780**	**148,050**	**11.30**	**465,395**	**436,065**	**6.73**
	CONUS	74,946	73,196	2.39	194,864	189,458	2.85
	OVERSEAS	8,339	7,941	5.01	21,749	21,462	1.34
NAVY	TOTAL	**83,285**	**81,138**	**2.65**	**216,614**	**210,921**	**2.70**
	CONUS	16,162	15,155	6.64	41,170	40,030	2.85
	OVERSEAS	340	255	33.33	892	780	14.36
MARINE CORPS	TOTAL	**16,501**	**15,410**	**7.08**	**42,061**	**40,811**	**3.06**
	CONUS	319	246	29.67	811	754	7.56
	OVERSEAS	271	273	–0.73	867	970	–10.62
COAST GUARD	TOTAL	**590**	**519**	**13.68**	**1,677**	**1,724**	**–2.73**
	CONUS	$372,791	$354,254	5.23	$1,037,036	1,016,303	2.04
ALL	OVERSEAS	$88,252	$79,231	11.39	$252,914	$230,069	9.93
COMMISSARIES	TOTAL	**$461,043**	**$433,485**	**6.36**	**$1,289,950**	**$1,246,372**	**3.50**
GROCERY STORES	*U.S.*[1]	*$25.426*	*$23.791*	*6.87*	*$72.995*	*$70.042*	*4.22*

EXCHANGES

		MARCH			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$269,248	$257,332	4.63	$732,946	$675,858	8.45
	OVERSEAS	216,287	192,775	12.20	620,209	509,089	21.83
AAFES	TOTAL	**485,534**	**450,108**	**7.87**	**1,353,156**	**1,184,947**	**14.20**
	CONUS[2]	112,103	89,602	25.11	284,324	244,616	16.23
	OVERSEAS[2]	47,434	39,918	18.83	124,629	108,312	15.06
NAVY	TOTAL[2]	**159,536**	**129,520**	**23.17**	**408,953**	**352,928**	**15.87**
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	CONUS	31,274	29,467	6.13	81,547	78,870	3.39
	OVERSEAS	5,099	4,781	6.65	14,960	13,563	10.30
MARINE CORPS	TOTAL	**36,373**	**34,248**	**6.20**	**96,507**	**92,434**	**4.41**
	CONUS[3]	6,434	6,565	–2.00	17,654	18,014	–2.00
	OVERSEAS[3]	479	489	–2.04	1,315	1,342	–2.01
COAST GUARD	TOTAL[3]	**6,913**	**7,054**	**–2.00**	**18,969**	**19,356**	**–2.00**
	CONUS[4]	1,385	1,462	–5.27	4,262	4,698	–9.28
	OVERSEAS[4]	2,003	2,220	–9.77	6,266	6,291	–0.40
MAIL ORDER	TOTAL[4]	**3,388**	**3,683**	**–8.01**	**10,528**	**10,990**	**–4.20**
	CONUS	$420,444	$384,428	9.37	$1,120,733	$1,022,056	9.65
	OVERSEAS	$271,302	$240,183	12.96	$767,379	$638,597	20.17
ALL EXCHANGES	TOTAL	**$691,746**	**$624,611**	**10.75**	**$1,888,112**	**$1,660,653**	**13.70**
DEPARTMENT STORES	*U.S.*[1]	*$11.527*	*$10.501*	*9.77*	*$28.991*	*$27.176*	*6.68*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.